

**New Hampshire General Court
Senate Committee on Ways and Means
Testimony on HB 1502, An Act Adding the Utility Property Tax Exclusion for
Exempt Water and Air Pollution Control Facilities to Tax Expenditure Review**

The New England Power Generators Association (NEPGA)¹ respectfully opposes House Bill 1502, which seeks to include the current tax exemption for water and air pollution control facilities in the periodic tax expenditure review. NEPGA believes that the intent of this legislation is to eliminate the tax exemption for these facilities, a move that would lead to a significant tax increase for many of our members, send a strong anti-business message to industry and ultimately deny revenue stability for New Hampshire's cities and towns.

NEPGA is the 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; more than two-thirds of the electric generating capacity in the state. 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.

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 business 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. While the installation of pollution control devices is not essential to the production of electricity, the tax exemption is good public policy because it provides vital environmental benefits. Accordingly, 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. Eliminating the exemption would increase the overall fixed operating and maintenance costs for electric generators that have installed pollution control systems, thus placing New Hampshire's facilities at a clear disadvantage to generators in surrounding states that are eligible for the tax exemption.

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

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. Eliminating 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; as large investors, employers and community partners, NEPGA's member companies urge the state to continue on that path. Sending an anti-business message to existing and potentially new or relocating businesses - particularly those which often provide the largest tax base to the towns and cities in which they operate - is simply bad public policy that could ultimately stifle future economic development and job creation in the state.

Cities and Towns Cannot Count on the Revenue from a Repeal to Remain Stable Once Property Values are Reassessed

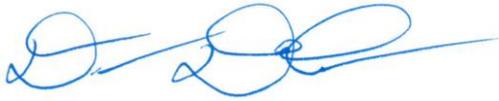
Eliminating the tax exemption would place New Hampshire generators at a competitive disadvantage and would decrease the market values of impacted power plants. Because property values are largely valued for tax purposes based on the market value of an asset, a decrease in a plant's market value would 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.

Conclusion

NEPGA strongly opposes HB 1502 and any attempt to repeal the installed air and water pollution control device property tax exemption. The exemption not only helps finance the purchase of the pollution control equipment, but also the necessary – and often costly – maintenance of those devices. A tax increase would place New Hampshire's industrial and commercial facilities at an economic disadvantage to facilities in neighboring states that would continue to enjoy the tax exemption. Further, a repeal of the tax exemption would send a strong anti-business message to prospective developers and could negatively impact job growth 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 New Hampshire's cities and towns. Once subsequent valuations of these properties have

been completed, the resulting decrease in market value would result in a decrease in the assessed value of such properties, resulting in a lower tax base for affected communities. 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,

A handwritten signature in blue ink, appearing to be 'Dan Dolan', written in a cursive style.

Dan Dolan
President