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January 3, 2008

**VIA OVERNIGHT MAIL**

Naida Kaen, Chairwoman  
Science, Technology & Energy Committee  
New Hampshire General Court  
Legislative Office Building  
33 N. State Street  
Concord NH 03301

**RE: House Bill 1499-FN-A; An Act Replacing the Electricity Consumption Tax with an Electricity Generation Tax.**

Dear Chairwoman Kaen:

The New England Power Generators Association, Inc. ("NEPGA") hereby respectfully files these preliminary comments in opposition to House Bill 1499-FN-A; *An Act Replacing the Electricity Consumption Tax with an Electricity Generation Tax*.<sup>1</sup> NEPGA's member companies represent approximately 24,000 megawatts of generating capacity throughout the region and 2,310 megawatts in New Hampshire. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA requests that all further correspondence, communications and other documents relating to this matter be served upon the undersigned as follows:

Christopher P. Sherman, General Counsel  
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<sup>1</sup>

The views expressed in these comments do not necessarily represent the positions of each of NEPGA's members. In addition, nothing in these comments should be deemed to waive any rights that NEPGA or any of its members may have to challenge the administrative, procedural or substantive validity of the proposed regulation.

The restructuring of the New England market has been the product of many years of detailed negotiations and discussions among a wide range of market participants, and has provided consumer benefits in New Hampshire and throughout the region by delivering necessary energy infrastructure improvements. These efficient energy infrastructure improvements procured through the competitive market have led to a decrease in fuel-adjusted electricity prices of approximately 7% from 2000 to 2006.<sup>2</sup> Generators want to continue to provide New Hampshire with the benefits that consumers have experienced and come to expect over the past several years, and NEPGA is confident that this can be accomplished by incenting private investment in new technology in New Hampshire to accelerate those benefits. However, these infrastructure enhancements are contingent upon a consistent tax system in New Hampshire that guarantees sound and prudent investments.

The public policy behind consistent and rationale taxation is implicitly sound in that it encourages the proposal of prudent new energy infrastructure and necessary environmental improvements to existing energy infrastructure within New Hampshire. The tax plan that is advanced through House Bill 1499-FN-A subjects energy project proponents to unnecessary uncertainty and costly and redundant tax burdens, and will ultimately lead to energy infrastructure investments being diverted to other states in the region. In light of New England's ongoing need for more energy resources, now is the time to move forward with substantial investments in energy infrastructure of all types in New Hampshire.<sup>3</sup>

As noted above, the dynamics of New England's competitive electricity market have provided tremendous benefits to the overall region. However, New Hampshire's retail rates, like those of the other states in New England, are well above national averages. Efforts towards a significant reduction in electricity costs to consumers through the provisions of House Bill 1499-FN-A are misplaced. According to the New Hampshire Public Utility Commission, a typical consumer in New Hampshire consumes approximately 500 kWh per month.<sup>4</sup> Thus, the proposed repeal of the \$0.00055/kWh consumptive tax in lieu of a new generator tax would save consumers approximately 28 cents per month, while subjecting individual companies who have invested hundreds of millions of dollars to New Hampshire's economic base to unnecessary increases in operating costs and removing essential incentives from attracting new infrastructure providers. As further noted above, meaningful electricity priced reductions will ultimately come from technology enhancements and fuel diversity delivered by the very competitive suppliers that will be unnecessarily burdened by the proposed tax scheme.

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<sup>2</sup> 2006 Annual Markets Report, ISO-NE, June 11, 2007 at 40, 41. The fuel-adjusted average electric energy price normalizes the electricity market clearing prices for the variation in the prices of fuels used by price-setting generating units.

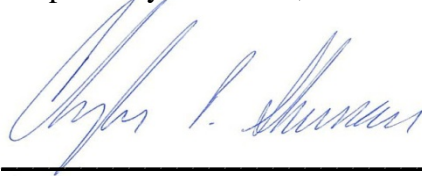
<sup>3</sup> According to ISO-New England, electricity consumption in New England, especially during summer peak, is growing by 1.9 percent a year, with even more drastic increases in peak demand. On August 2, 2006, ISO-NE reported a peak load of 28,048 MW, exceeding summer peak consumption forecasts through 2008.

<sup>4</sup> <http://www.puc.state.nh.us/Electric/typicalbill.htm>

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For the foregoing reasons, NEPGA opposes House Bill 1499-FN-A. We look forward to the ability to testify at further hearings on this matter and reserve the right for more substantive written testimony. Please do not hesitate to contact me if I can provide further information or clarification.

Respectfully submitted,



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Christopher P. Sherman  
General Counsel