

## Why turning on the lights costs more in New Hampshire

WHEN WE SWITCH on the lights here in New Hampshire, we pay more than residents in 45 states. That's right, the Granite State has some of the highest residential electricity rates in the country. And industrial employers pay more for electricity than their competitors in 43 other states.

The cost extends far beyond our exorbitant monthly electric bills.

High electricity rates increase business expenses, forcing the price of goods and services to go up and making our state a less attractive destination for new and growing companies. As a result, economic growth slows and jobs and opportunity throughout our state dwindle.

Even worse, the pain isn't equally divided. Those who can least afford it — retirees on fixed incomes and families barely scraping by — suffer the most because

### Another View

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energy costs consume a larger portion of the budget in low-income households.

So, how did we get here?

Misguided policies and regulations out of Concord make electricity more expensive and discourage energy producers from growing existing lowcarbon energy resources or innovating to develop new, more efficient sources of energy.

Our state's Renewable Portfolio Standards (RPS) offers a case study in bad energy policies. Adopted a decade ago, RPS requires all electricity providers in the state, except for municipal utilities, to obtain 25.2 percent of their electricity from specific renewable sources by 2025 and to maintain that percentage thereafter. According to estimates by the Beacon Hill Institute at Suffolk University, RPS will cost New Hampshire more than \$700 million between 2015 and 2025 in the form of higher electricity bills.

RPS divides approved renewable sources into several categories, or classes. For example, wind and newer solar systems are in one class. Older solar technology is a class, as is hydroelectric.

Under RPS, each year the percentage of electricity the utility must get from the individual categories increases so as to scale up to the ultimate 25.2 percent goal. Providers who fail to meet their RPS requirements must either purchase what are called Renewable Energy Certificates from alternative energy producers—a subsidy for the renewable industry—or pay a fee.

This arrangement has several negative consequences for New Hampshire customers. It makes electricity more expensive by preventing utilities from simply purchasing the least expensive electricity available.

The most affordable new type of power plant to build is a combined cycle natural gas plant, but it is excluded from the RPS. Moreover, nationwide CO2 emissions are down 12 percent from 2005 levels because of switching from coal to natural gas, not because of expensive mandates like RPS.

Even worse for the long-term, RPS discourages innovation. By picking and choosing the specific renewable sources from which utilities must obtain electricity, the government deters researchers and developers from investing in new technology.

As Patrick McLaughlin from the Mercatus Center at George Mason University explains, "(R)egulations that impose specific technologies... offer no incentive or ability for companies to find alternative solutions that could achieve the same objective as the required technology."

And that's just one aspect of New Hampshire's extensively dysfunctional energy policy. Clearly, New Hampshire needs reform that provides relief from high costs.

When it comes to RPS, the best solution would be to put an end the costly mandate. Other second-best reforms would be shifting the mandate to recommended goals and not pigeon-holing technologies.

On other fronts, New Hampshire lawmakers at both the state and federal level could end unfair subsidies and tax incentives that pick winners and losers in the energy market through overt cronyism.

With a few simple changes, legislators in Concord can prevent needless electricity price increases, deliver rate

It's worth noting that nuclear power, which has zero carbon dioxide emissions once a plant is constructed, is not included in the list of acceptable alternative electricity sources. If the ultimate objective of RPS is to reduce harmful emissions, this makes no sense. The Seabrook Nuclear Power Plant accounted for 56 percent of our state's electricity generation last year. It can produce enough power to supply 1.2 million households; there are only 1.3 million people living in New Hampshire. Excluding nuclear energy takes an affordable, reliable source off the table.

relief for New Hampshire consumers, and foster long-term reliability and modernization of our state's electric grid.

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