



Business & Industry Association

New Hampshire's state chamber of commerce

June 16, 2006

Energy Planning & Advisory Board
Legislative Office Building
Room 304
Concord, New Hampshire 03301

IN RE: Stakeholder Forum Comments from the Business & Industry Association

Dear Energy Planning & Advisory Board Members:

BRIEF BACKGROUND ON ORGANIZATION

The Business and Industry Association (BIA) is New Hampshire's state chamber of commerce and leading business advocate. The BIA represents more than 400 members in a variety of industries, including manufacturing, professional services, financial services, health care, hospitality and tourism, public utilities, higher education, insurance and technology.

Member firms employ 80,000 people throughout the state and contribute \$4.5 billion annually to the state's economy. Through advocacy with state legislators and regulators, the BIA works to promote a healthy business climate and robust economic future for New Hampshire.

BIA has a robust Energy & Regulated Utilities Committee, which concentrates on state energy policy. This committee is comprised of almost 200 active members that participate in monthly policy meetings and attend yearly energy seminars hosted by the BIA. (Note: Last year's BIA energy seminar focused on energy efficiency, demand-side management and competitive power procurement).

INTRODUCTION

BIA appreciates this opportunity to provide you with recommendations for legislative or executive actions relative to energy policy. Furthermore, the BIA lauds the Energy Planning Advisory Board for voluntarily seeking feedback from stakeholders. BIA commends you for the proactive manner in which you are working to effectuate sound and prudent energy policies for the state.

The BIA has two specific recommendations for your consideration.

(1) PRESERVE THE ENERGY EFFICIENCY PROGRAM

While the BIA recognizes the importance of responding to the needs of low-income families, we encourage the legislature to preserve the energy efficiency fund and resist the urge to shift money from the energy efficiency fund to low-income. This was done once last November, and at that time we were assured that this would be a one-time allocation. BIA encourages the legislature to avoid further shifts that may negatively impact energy savings and environmentally-friendly projects. BIA hopes that, should low-income customers require additional assistance; the state will seek alternative funding sources.

One of the reasons the energy efficiency program exists is to help businesses lower their consumption and energy bills. Many business customers, including small businesses, schools, municipalities, hospitals and manufacturing companies, are struggling to pay for rising fuel and energy costs. The energy efficiency program represents a long-term solution that reduces demand for electricity and allows businesses to reinvest cost savings into the New Hampshire economy.

BIA believes that diverting money businesses have paid to the energy efficiency fund—a fund earmarked to help businesses become more energy efficient—is short-sighted, detrimental to business customers at a time when they need it most and tantamount to a tax.

BIA firmly believes in the energy efficiency program. We think that the program's focus on demand side management is prudent economic and environmental policy. Stated differently, every Kwh and Mwh not used means less generation, less air pollution and a more competitive economy. The state should embrace such a policy.

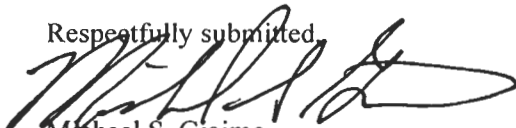
(2) STATE SHOULD BE CAUTIOUS RELATIVE TO VOLUNTARY INITIATIVES

BIA believes that it is wise for the state to consider environmental initiatives; however the state's policy makers must continue to consider the economic ramifications of voluntary initiatives that may increase the cost of generation, transmission and distribution.

Recently, legislators and policy makers have given great consideration to rate impacts when they have contemplated laws and regulations. As everyone in the state knows, New Hampshire already has among the highest electricity and energy costs in the country. Accordingly, BIA encourages legislators to continue to be cautious and deliberate before binding the state to voluntary initiatives that may raise rates. BIA hopes that the legislature, to the extent possible, can keep energy rates, particularly electricity rates, as low as possible.

Attached you will find a letter sent to Governor Lynch from September 26, 2005. The letter highlights some anecdotal information we received from our members relative to energy costs as a function of sales. BIA believes that the letter emphasizes the need to minimize voluntary initiatives that may have an adverse impact on electricity rates and New Hampshire businesses' ability to compete in the global marketplace. The BIA wants to make certain that electricity rates, and increases to these rates resulting from voluntary initiatives, are not a reason why businesses do not develop or grow in New Hampshire.

Respectfully submitted,



Michael S. Giaimo

Enclosure: Letter to Governor from BIA, dated September 26, 2005. This letter highlights the potential impact of increases to electricity rates on in-state manufacturing.

September 26, 2005

The Honorable John Lynch
Governor
State of New Hampshire
State House, 107 North Main Street
Concord, New Hampshire 03301

Dear Governor Lynch:

I wanted to take this opportunity to thank you for meeting with Michael Giaimo and me recently to discuss the Business & Industry Association's (BIA) concerns about the Regional Greenhouse Gas Initiative (RGGI). As you are aware, we have serious reservations about the impact RGGI may have on electricity rates and New Hampshire businesses' ability to compete in the global marketplace.

As a businessman, I know you understand electricity is a key expense for many companies, particularly manufacturers. That is no doubt why you asked us to answer two important questions— what are our members paying for electricity as a percentage of sales, and how does that compare with similar businesses in other regions?

Per your request, attached you will find answers we received from our members. For the sake of simplicity, the answers have been excerpted. Also, the responses are presented anonymously because we told our members that their answers and information would not be attributed. However, I'm sure some (perhaps all!) would be willing to elaborate with you fact to face. They will be able to provide you with a better appreciation for the potential consequences of increased energy and electricity costs. (Please let me know if this interests you).

The answers we received to our query show that electricity cost for energy intensive manufacturing in New Hampshire represented between 4-5.7% of total sales. Electricity costs for light manufacturing in New Hampshire ranged between 1-2.5% of total sales. Electricity costs were less for those with similar operations in other states and countries.

Thank you for taking the time to review this information. I believe that it further emphasizes BIA's concern that RGGI may have an adverse impact on the business community, and ultimately the state's economy.

Regards,

Jim Roche
President

C: Alice Chamberlin

Enclosure

Electricity Costs as Percentage of Sales

BIA members were asked:

- (1) What are your costs for electricity as a percentage of sales in New Hampshire?
- (2) How does that compare with electricity costs for similar operations in other regions?

The following are excerpts from responses received from BIA members:

HEAVY MANUFACTURING- ENERGY INTENSIVE

Company A:

"Our electricity costs as a percentage of sales were 5.3%, 5.5% and 5.7% in 2003, 2004 and the first half of 2005, respectively. The 2005 energy cost component of the electricity bill ... is likely to increase significantly (roughly 50%) in December when this hedge contract expires. Our electricity costs in NH were tied for the highest of the six countries in which we manufactured in 2004. Below is the cost comparison by factory location:

- | | |
|---------------|-----------------|
| - Italy | roughly equal % |
| - Mexico | 8% cheaper |
| - Germany | 21% cheaper |
| - Switzerland | 32% cheaper |
| - Malaysia | 38% cheaper" |

Company B:

"In N.H. sites: We consumed 32,324,371 KWH/yr at today's Rates (11.88 cents/KWH)=\$ 3,840,135 ... As a % of sales @ 95 M= 4.04 %

In Winston Salem N.C. Area: If we consumed the same 32,324,371 KWH/yr at today's Winston Salem Rates (5.36 cents/KWH)= \$ 1,732,586 ... As a % of sales @ 95 M= 1.82%

Conclusion: Electricity cost in N.H. as a percentage of total sales is more than double (4 % vs 1.8 %) compared to Winston Salem North Carolina."

Company C:

"From January thru August electricity usage/sales = 4.7% ... no out of state data to compare."

Company D:

"[Our] electricity cost is about 1% of sales ... [subsidiary], who resides in the building with us is closer to 5% of sales."

Company E:

"Through the end of August our Electric bill has totaled 2.1% of total sales ... [Company] has no other locations ... we have researched our largest competitor- located in Marshal, Texas. If we located our plant there, our electric bill would be 40% lower."

Company F:

"In your recent email you inquired about our electrical costs relative to sales. During 2004 we had sales of \$36,000,000 and our power costs ran \$728,000, or approximately 2% of sales. We are very concerned about possible increases in our power costs as we feel that presently our cost for power is substantially higher than the cost of our competitors, most of which are located in other states.

Whatever the BIA can do to contain our costs, without substantially impacting the environment, would be beneficial and appreciated"

Excerpted Answers to Questions:

- (1) What are your costs for electricity as a percentage of sales in New Hampshire?
- (2) How does that compare with electricity cost for similar operation in other regions?

Company G:

"[NH facility- cost of electricity as a percentage of sales is] 4.02% ... [Massachusetts facility- cost of electricity as a percentage of sales is] 1.72%"

Company H:

"[NH facility electricity cost per unit manufactured] \$1.977 ... of all national facilities, [9 other states] this is highest."

LIGHT MANUFACTURING

Seven light manufacturers reported that their cost of electricity as a percentage of sales ranged from 1-2.5%. No comparisons to similar operations in other regions were provided to the BIA.

Excerpted Answers to Questions:

- (1) What are your costs for electricity as a percentage of sales in New Hampshire?
- (2) How does that compare with electricity cost for similar operation in other regions?