



June 21, 2011

Debra A. Howland, Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Comments for RPS Work Session 3

Dear Secretary Howland:

On behalf of Unitil Energy Systems, Inc. ("Unitil" or "the Company"), I thank you for the opportunity to offer comments on the implementation of Renewable Portfolio Standards ("RPS") in New Hampshire, in the context of the Commission's effort to develop its required report to the Legislature later this year. Unitil has always promoted Energy Efficiency and Renewable Energy as customers' best options to control their energy costs and as an important priority for the state to address in meeting its long-term energy needs. These comments supplement our earlier comments for RPS Work Session 1 dated April 21, 2011 and Work Session 2 dated May 13, 2011.

I. Multi-Year Purchase Agreements for Certificates (Along With Purchased Power)

Unitil does not believe that prescribing or incenting the utilities to enter either long term (10 – 30 years) or short-term contracts for RECs, with or without the power, will help further green energy development in New Hampshire. First, there is no guaranty that requiring the utilities to enter into any type of green power or attribute contract would result in a New Hampshire based generators receiving the business. Interstate commerce laws could prevent restricting out of state resources from participating in such a solicitation. This issue was recently challenged when TransCanada raised suit against such language in the "Massachusetts Request for Proposals Long-Term Contracts for Energy Supply and Renewable Energy Certificates from New Renewable Energy Projects" that was issued in January of 2010.

Second, requiring utilities to enter into green energy contracts may not be the most cost-effective method to support green energy development and may result in significant long term liabilities for ratepayers similar to the original PURPA contract costs that resulted in stranded costs to ratepayers.

II. Alternative Methods for Renewable Portfolio Standard Compliance

As mentioned during the workshop, today's NH RPS statute does not prescribe a specific method for REC procurement. The flexibility inherent in the statute allows each utility to meet its RPS requirements in a way that works well for them, given their business models and social objectives. Unitil does not recommend any changes to the current processes used.

III. Feed-in-Tariff

The Company conducted a simplified analysis comparing a potential Feed-in-Tariff in NH with the current incentive system that includes rebates, net metering, and RECs. The analysis (spreadsheet included below) was conducted with the following assumptions:

1. Feed-in-Tariff income is taxed at the federal level
2. Net metering benefits are not taxable at the federal level
3. The depreciation basis is the installed cost minus ½ of the federal tax credit.
4. RECs income is taxable at the federal level.
5. RECs were set at \$25 for this analysis
6. Rebates are not taxable at the federal level
7. The rebate is set at \$50,000, the maximum allowable
8. The cost to rate payers per kWh for net metered projects constitutes only the delivery portion of the retail rate (energy portion is excluded)
9. The benefit for a customer per kWh for installing a project constitutes the retail rate

The federal tax assumptions have not been validated by the Internal Revenue Service or a tax specialist.

For a 100 kW Solar PV project receiving Feed-in-Tariff revenue at \$0.23 per kWh over 20 years, the customer would realize a revenue net present value of \$334,000. The cost to the rate payers would be \$311,000. In comparison, the cost to the rate payers from the current incentive system would be \$116,000.

In summary, in order for the customer installing an eligible renewable energy facility to receive the same net present value return, the cost to NH rate payers would need to be almost tripled if NH instituting a Feed-in-Tariff program rather than continuing the current incentive system. The analysis would change significantly if net metering benefits and rebates are deemed taxable by the Internal Revenue Service.

Thank you for the opportunity to comment. Please feel free to contact me if you have any questions.

Regards,



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Manager, Distributed Energy Resources

