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Karen Cramton, Sustainable Energy Division Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Dear Director Cramton,

Granite State Hydro Association ("GSHA") appreciates the opportunity to submit comments on the New Hampshire Public Utilities Commission's ("PUC") review of the New Hampshire Renewable Portfolio Standards ("RPS"). GSHA believes that the RPS program is working as designed and that there is no need for significant changes to the overall program or Class IV, the class for existing small scale hydro.

The goal of the RPS program – securing 25 percent of New Hampshire's energy consumption from renewable sources by 2025 – is achievable yet ambitious, and because the process is relying on the free market, the transition will not always be smooth. However, we feel that if the program is allowed to continue as designed, it will ensure that the intent of the statute will be met. Significant changes at this stage would have a negative impact on the program and defeat the purpose and goals of the statute.

In the context of the 2018 review as mandated by RSA 362-F:3, GSHA provides the following comments with a specific focus on Class IV.

The program is working. As pointed out in the 2017 New Hampshire Renewable Energy Fund Annual Report, since the inception of the RPS and the resulting Renewable Energy fund, "there has been substantial growth in distributed generation renewable energy systems that serve to diversify our [New Hampshire] energy sources, reduce our reliance on fossil fuels, reduce greenhouse gas emissions, and increase our energy independence."

There are adequate sources to meet the Class IV REC requirements. More than 45 hydroelectric projects are registered as Class IV projects according to the PUC's website. In 2016, the Class IV requirement was 150,000 Renewable Energy Certificates ("RECs"). If all of the registered projects experienced average operating conditions, their annual supply of certificates would have been approximately 160,000.

It is important to note that while there is an adequate supply of Class IV projects in New Hampshire, the number of Class IV RECs that are created in any given year will vary based on hydrological conditions. Wet years will generally result in more RECs being created while dry years will result in fewer RECs being generated (as in 2016 when the region's drought resulted in most Class IV projects producing only 70 percent of their expected output).

Existing Market Conditions impact Class IV requirements. The Class IV REC market is impacted by 1) The Massachusetts RPS market, and 2) Load Serving Entities' purchasing decisions, both of which affect Class IV ACP payments in New Hampshire.

1) *The Massachusetts RPS Market.* Some NH Class IV registered projects are also qualified in Massachusetts as Class II Renewable Resources. This means there is a competing demand for the RECs generated by these Class IV certified projects. Massachusetts' Class II ACP prices are slightly higher than New Hampshire's Class IV ACP prices, causing some of the dually-qualified projects to sell their RECs into the Massachusetts market instead of the New Hampshire market (for 2018 the NH Class IV ACP is $28.00/REC compared to $28.30/REC in MA). ***GSHA believes that adjusting the Class IV ACP to be equal to or slightly higher than the MA ACP would ensure that additional Class IV RECs would be sold into New Hampshire.***

2) *Load Serving Entities' Purchasing Decisions.* Within the current market, some Class IV RECs that are available for sale are not being purchased by load serving entities ("LSEs"). The 2017 NH Renewable Energy Fund Annual Report shows that the three NH regulated utilities made only 20 percent of the Class IV ACP payments. These utilities procured most of their Class IV RECs by issuing Request for Proposals ("RFPs") for REC sales. Conversely, competitive suppliers, who made 80 percent of the ACP payment, do not issue RFPs. GSHA members report that they have offered to sell Class IV RECs to LSEs, but were rejected due to the offered sale price not being low enough below the ACP; that is, apparently the effort for the LSE to go through to purchase the RECs would cost more than simply paying the ACP. GSHA respects that the REC market is comprised of willing buyers and sellers who are both free to negotiate purchases and sales of RECs. However, it is important not to mistake ACP payments made by LSE's as a reflection that Class IV RECs were not available. Instead, the ACP payments are more than likely a reflection of how the LSE chooses to fulfill its obligation under the RPS. ***GSHA believes that requiring all LSE's to issue RFPs would result in lower ACP payments.***

Changing to a single-class system would result in a lack of renewable energy diversity. The four class structure of New Hampshire's RPS was carefully and purposefully designed to ensure that a diversity of both new and existing renewable energy sources of varying fuel types, technologies, and locations will be developed and maintained, resulting in a broad base of distributed energy sources for New Hampshire to rely on. A single-class solution would most certainly result in a single renewable fuel type and/or technology dominating the class and squeezing out the other fuel types and technologies that are currently covered by the four classes. This result would

significantly hinder achieving the goals of the RPS program. **GSHA strongly believes that it would be bad public policy for New Hampshire to adopt a single-class RPS program.**

Including large-scale hydro and/or nuclear power in the RPS would also result in a lack of renewable energy diversity. Allowing large-scale hydro and/or nuclear power to be part of the state's RPS would have at least two detrimental effects. First, the REC market would be flooded by the RECs produced by these larger-scale power plants. REC values would then drop to near zero, development of new small-scale renewable energy would be significantly curtailed, and existing small-scale facilities could be put in jeopardy. Second, large-scale hydro and nuclear power plants have substantial economies of scale and do not require REC revenues to remain financially viable. In comparison, small-scale hydro facilities do not have such economies of scale. Given that they are capital intensive and closely regulated, the financial and regulatory burdens are especially great for small-scale hydro. New Hampshire's RPS program has helped maintain in-state existing hydro facilities, which provide many economic and environmental benefits. Diverting REC payments to large-scale hydro and nuclear plants would be a cost to New Hampshire ratepayers without providing any new or additional value. **GSHA strongly believes that it would be bad public policy for New Hampshire to include large-scale hydro and/or nuclear power in the RPS program.**

GSHA appreciates the opportunity to participate in the PUC's review of New Hampshire's RPS program. Given the proven importance of the RPS program to New Hampshire's electricity consumers, the communities that host renewable facilities, and the state's overall economy, GSHA urges thoughtful and thorough consideration of any proposed changes to the State's carefully designed RPS program. While minor adjustments to the Class IV ACP and requirements for LSE purchases would help reduce the Class IV ACP payments, any other changes would have the potential of irreparably damaging the program and its positive impacts on New Hampshire.

Sincerely,

/Robert E. King/

Robert E. King, P.E.
President