

# Orr&Reno

**Douglas L. Patch**  
dpatch@orr-reno.com  
Direct Dial 603.223.9161  
Direct Fax 603.223.9061  
Admitted in NH and MA

February 12, 2015

VIA HAND DELIVERY AND EMAIL

Debra A. Howland, Executive Director & Secretary  
New Hampshire Public Utilities Commission  
21 South Fruit St., Suite 10  
Concord, NH 03301-2429

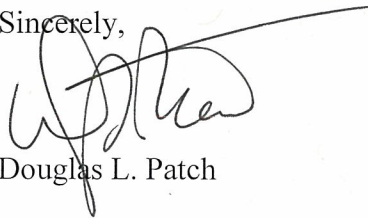
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***Re: DE 15-035, Electric Renewable Portfolio Standard, RSA 362-F:4,V and VI,  
Adjustments to Renewable Class Requirements – Comments***

Dear Ms. Howland:

Enclosed are an original and six copies of the Comments of the Retail Energy Supply Association in the above-captioned docket.

Sincerely,



Douglas L. Patch

Enclosures  
cc. Service List in DE 15-035  
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**STATE OF NEW HAMPSHIRE  
BEFORE THE  
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 15-035**

**ELECTRIC RENEWABLE PORTFOLIO STANDARD  
RSA 362-F:4,V and VI, Adjustments to Renewable Class Requirements**

**Comments of the Retail Energy Supply Association**

The Retail Energy Supply Association (“RESA”) is a non-profit organization and trade association that represents the interests of its members in regulatory proceedings. RESA members are active participants in the retail competitive markets for electricity, including the New Hampshire retail electric market. Several RESA member companies are licensed by the Commission to serve residential, commercial and industrial customers in New Hampshire and are presently providing electricity service to customers in the State. RESA members are thus providers of electricity subject to the RPS requirements (RSA 362-F:2, XIV) who would be directly impacted by adjustments to the Class III minimum requirements under RSA 362-F:4, VI. As such, RESA and its members have a substantial and specific interest in ensuring that any changes to Class III renewable portfolio requirements are reasonable and appropriate.

In the Order of Notice in this docket issued on January 21, 2015 the Commission indicated that the market for New Hampshire renewable energy certificates has developed such that large quantities of Class III RECs are being purchased by providers in other New England states and that New Hampshire’s providers will not be able to

procure sufficient RECS to satisfy the Class III portfolio requirements for 2014 and 2015, resulting in the need to make substantial alternative compliance payments.

The Commission noted the authority granted to it under RSA 362-F to adjust Class III RPS requirements as necessary and consistent with the purposes of RSA 362-F, after notice and a hearing, such that the requirements are equal to an amount between 85 percent and 95 percent of the reasonably expected potential annual output of available sources. The Commission also noted that the Class III RPS obligation for 2014 is 3% of load serviced, rising to 8% in 2015, and that the supply of New Hampshire Class III RECS is extremely limited for a few different reasons.

The Commission went on to say that because of the limited supply of Class III RECs it should consider adjustments of the requirements for calendar years 2014 and 2015 and that it will hold a public comment hearing on February 12, 2015 to receive information on the expected potential annual output of available Class III eligible sources and the demand for Class III RECs in other New England states.

The Commission has previously exercised the authority granted to it under RSA 362-F:4,VI and reduced the Class III requirements for compliance years 2012 and 2013. In Docket DE 13-021, Order No. 25,484, the Commission reduced the Class III requirements for compliance year 2012 from 6.5% to 1.4%, and for compliance year 2013 from 6.5% to 1.5%. Subsequently, in Docket DE 14-104, Order No. 25,674, the Commission reduced the Class III requirement for compliance year 2013 even further, to 0.5%. In the New Hampshire Renewable Energy Fund Annual Report dated October 1, 2014, page 2, the Commission noted that Class III revenues in 2014 (for compliance year 2013) declined from \$4,639,975 to \$1,731,400. This shows that the reduction which the

Commission made to 1.4% for compliance year 2012 still resulted in collections of \$4.6 million, while the further reduction to 0.5% resulted in collections of \$1.7 million. The Report at p. 2, went on to note: “In recent years Class III RECS have been difficult to procure because sellers can get higher REC prices in other New England states; these states have higher ACPs for Class III RECs, which allows RES prices to exceed those in New Hampshire.”

It is clear from recent experience and from information provided to the Commission in previous dockets and more recently that the supply of RECs available to satisfy the Class III requirements is severely limited. Even with the reductions that the Commission has made in the two previous years contributions to the ACP for Class III have remained high. The goal of the RPS was not to create a surplus in the ACP fund, but was instead to “displace and thereby lower regional dependence on fossil fuels,” “lower and stabilize future energy costs by reducing exposure to rising and volatile fossil fuel prices,” “keep energy and investment dollars in the state to benefit our own economy,” and “stimulate investment in low emission renewable energy generation technologies” in New England and New Hampshire. RSA 362-F:1. The authority granted to the Commission in RSA 362-F:4, V and VI is consistent with these purposes and an attempt by the Legislature to allow adjustments to the requirements to reflect market conditions and to avoid unnecessary surpluses in the fund. Perhaps more importantly, as the Commission noted in Order No. 25,484, at 16: “We are mindful that electric ratepayers ultimately pay for the cost of RPS compliance through their electric rates, and that the ACPs represent the ceiling, or highest cost, of RPS compliance.”

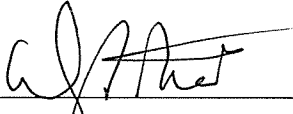
For the reasons cited above and on which the Commission has relied to order previous reductions in the Class III requirements, RESA submits that it would be just and reasonable and for the public interest for the Commission to lower the Class III requirement for compliance year 2014 to 0.25%. Experience over the last two years has shown that the scarcity of Class III RECs available to NH electricity suppliers Commission has not been resolved. While the reductions in the Class III requirement to 1.5% and to 0.5% have made a significant difference, there is still an issue with compliance payments. RESA submits that a further reduction is therefore appropriate and necessary. RESA would also support a similar reduction for compliance year 2015 as it seems unlikely that the situation giving rise to the need for the reduction in the Class III requirement is likely to change.

Given the ACP revenues for Class I noted in the Commission's October Report (an increase from \$3.04 million in 2013 to \$13.99 million in 2014) RESA would also respectfully suggest that the Commission should give serious consideration to delaying the increase in the Class I requirement, perhaps in a separate docket. See RSA 362-F:4,V. Similar to the Class III market, suppliers may have to rely on the New Hampshire ACP in order to fulfill Class I RPS obligations for 2014 and 2015. Other New England states have Class I ACPs that are higher than New Hampshire's. Therefore, suppliers will logically look to meet RPS obligations in those states before fully meeting obligations in New Hampshire. The Commission may wish to investigate the extent to which New England Class I REC prices are presently clearing higher than the New Hampshire ACP for 2014 and 2015 vintage RECs. Forward REC clearing prices above New Hampshire's ACP may indicate a need to delay the increase in New Hampshire's

Class I purchase obligation in order to avoid excessive reliance on New Hampshire's ACP.

RESA thanks the Commission for the opportunity to provide comments.

Respectfully submitted,



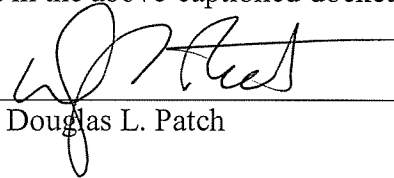
Douglas L. Patch  
Orr & Reno, P.A.  
45 South Main Street  
PO Box 3550  
Concord, N.H. 03302-3550  
(603) 223-9161  
[dpatch@orr-reno.com](mailto:dpatch@orr-reno.com)

Dated: February 12, 2015

Certificate of Service

I hereby certify that a copy of the foregoing Comment has on this 12th day of February, 2015 been sent by email to the service list in the above-captioned docket.

By:



Douglas L. Patch

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