



**Mark Dean**  
Attorney

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March 26, 2021

Debra A. Howland, Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street  
Concord, NH 03301-2429

Re: Docket No. DE 21-037 - Adjustments to Renewable Portfolio Standard Class III Requirements

Dear Executive Director Howland:

I represent New Hampshire Electric Cooperative, Inc. ("NHEC").

NHEC appreciates the opportunity to offer written comments to the Public Utilities Commission ("the Commission") as it considers making an adjustment to the Class III Renewable Portfolio Standard (RPS) requirement for the 2020 compliance year.

NHEC meets its RPS obligations through a combination of long term contracts and forward market purchases in order to minimize cost impacts on its members. NHEC is continually looking for cost effective purchases of NH Class III qualified Renewable Energy Certificates (RECs) to meet its current and future obligations. Despite these efforts, Class III RPS obligation costs are expected to approach 40% of the total cost NHEC members pay for compliance with the RPS in 2020.

**A scarcity of Class III RECs in the New Hampshire market**

NHEC recognizes that RECs, and the RPS which governs their creation, are part of a regional market with many competing interests. In its wisdom, the New Hampshire legislature vested the Commission with authority to maintain some degree of balance between these competing interests by including cost protections for electric ratepayers through RSA 362-F:4(VI). In circumstances of Class III REC scarcity similar to those present today, the Commission has previously exercised this authority to reduce Class III RPS requirements for 2014, 2015, and 2016 to a level of 0.5% of annual retail sales. See, Order No. 25,783 (March 13, 2015), Order No. 25,844 (Dec. 2, 2015).

There has been a significant change in availability of NH Class III RECs for 2020 compared to 2019. The Connecticut Class I REC price has increased significantly and has been over \$40/REC (presently ~ \$45.50/REC), compared to the NH Class III ACP of \$34.54, which forms a market price ceiling for the NH III's. Most 2020 NH Class III RECs are being sold in the Connecticut Market.

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Several New Hampshire biomass plants that formerly produced New Hampshire Class III RECs apparently have shut down. NHEC has anecdotal information that those biomass plants that are still operating, along with at least one Landfill Gas (LFG) facility that produces NH III RECs, are selling their RECs into the Connecticut market.

In discussions with REC brokers active in the New England REC markets NHEC has been advised that apparently **there have been no New Hampshire Class III transactions** for many months, dating back at least to the summer of 2020. Dual qualified 2020 vintage RECs from biomass and LFG fueled generators have consistently been sold into the Connecticut Class 1 market during that period.

The demand and higher prices for New Hampshire Class III qualified RECs from neighboring states has benefited New Hampshire Class III REC producers, which is certainly a positive development from that perspective. However, under current circumstances NHEC has no reasonable expectation of being able to purchase additional 2020 Class III RECs at or below the ACP.

#### **NHEC member cost implications**

Absent action by the Commission, consistent with RSA 362-F:4(VI), to reduce the Class III obligation for 2020, NHEC expects to meet its obligation of 52,453 RECs with 3,532 RECs banked from previous years and an ACP payment for up to 48,921 RECs at a cost of approximately \$1.7 million.

A 2020 Class III obligation reduction to 0.5% of annual sales, as it was ordered by the Commission for 2014 through 2016, would reduce NHEC's 2020 obligation to 3,278 RECs. At that level NHEC could completely meet this obligation by using its RECs banked from previous years, reducing current Class III RPS compliance costs by approximately \$1.7 million for NHEC members.

#### **A needed scarcity-driven reduction**

Current market conditions have created an environment of scarcity not seen since the 2014-2016 period. In light of these circumstances, NHEC urges the Commission to reduce 2020 Class III RPS requirements to the lowest level that is consistent with the RSA 362-F:4(VI) criteria.

NHEC also requests that the Commission issue its order and make this reduction of the 2020 Class III obligations effective prior to May 31, 2021, at the latest. This will allow NHEC and other retail energy suppliers to maximize the value from previous actions taken to meet the expected 2020 obligations, and enable NHEC's members to benefit from the Commission's scarcity-driven reduction in the Class III RPS obligation costs.

Respectfully Submitted,



Mark Dean