



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

May 6, 2014

Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

RE: DE 14-104 RSA 362-F:4,V & VI Adjustments to Renewable Portfolio Class Requirements

Dear Ms. Howland,

Thank you for the opportunity to comment on DE 14-104, relative to electric renewable portfolio standards (RPS). This docket provides a forum for interested parties to provide data on the availability of renewable energy certificates (RECs) and to make recommendations regarding whether those requirements should be adjusted for calendar years 2013, 2014 and 2015. The Department of Environmental Services (DES) has concerns about potential adjustments to the RPS Class requirements.

In its testimony dated January 28, 2014 on House Bill 1443 relative to adjustments to the RPS, DES stated:

"The market for NH Renewable Energy Credits (RECs) is complex and highly influenced by the regional nature of the New England electric "grid" and differing state RPS requirements. The current RPS statute includes obligations out to 2025. Energy supply projects require long-term planning and, therefore, benefit from long-term certainty in the market. Absent such certainty, developers' ability to secure financing supported by anticipated REC income is significantly impaired. DES feels that long term market stability is the best solution for ensuring compliance with the RPS, as the goal of the program is to see increased development of renewable resources in the region, as opposed to alternative compliance payments. Future revisions should be based on sound market information and analysis, and carefully consider any long term implications. This type of rigorous analysis is difficult for a legislative policy committee to undertake during the busy legislative session. In lieu of frequent legislative changes, DES would support the inclusion of language requiring a periodic data-driven review to be conducted by the PUC, which would then suggest any recommended revisions based upon such a review and analysis to the appropriate policy committees.

Furthermore, Massachusetts and Connecticut have revised their programs and the regional market for existing biomass sources will be changing in the coming years. As a consequence, one wood-fired power plant in Massachusetts and one in Vermont have already applied for New Hampshire Class III RECs. At least one

DES Web site: www.des.nh.gov

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

Telephone: (603) 271-1370 • Fax: (603) 271-1381 • TDD Access: Relay NH 1-800-735-2964

New Hampshire plant that currently sells RECs under Connecticut's program plans to apply for New Hampshire Class III RECs, as well. Class III was originally included to maintain operation of existing biomass sources. By eliminating Class III RECs, this bill could result in shutdown of one or more of these plants that rely on REC sales for economic viability."

On January 31, 2014, the Connecticut Department of Energy and Environmental Protection issued "DETERMINATION TO SELECT PROPOSALS FOR LONG-TERM CONTRACTS FOR CLASS I RENEWABLES PURSUANT TO SECTION 8 OF CONNECTICUT PUBLIC ACT 13-303"¹. Appendix 1 of this report (attached) lists the projects that submitted proposals. Those proposals that were not accepted may now seek to qualify for NH RECs.

Rather than adjusting the Class III renewable portfolio requirements such that Alternative Compliance Payments (ACPs) are reduced, the Commission could consider the following other alternatives, seeking legislative authority if appropriate:

- The Commission could allow the temporary, limited amount of surplus (if any) Class I RECs to be used to meet Class III requirements.
- The Commission could consider a corresponding increase in future year requirements to match any short-term (2013) decrease such that the total amount across multiple years remains the same, since revisions to other States' programs could result in significantly greater REC availability in the future.
- The Commission could use the current ACP funds for future grants to develop Class II solar projects. The States of New York and Rhode Island recently announced² additional solar project funding, and Massachusetts has already been a leader in the region in solar project development.
- The Commission could make no adjustment to the RPS Class requirements. Renewable Energy Funds (REF) that accumulate as a result of low REC availability could be distributed via the existing competitive process, and any projects funded with REF be required to sell their RECs into the New Hampshire REC market for a set period of years.

Because of the future potential increase in REC supply, DES recommends limiting the adjustment (if necessary) to 2013 at this time, and re-evaluating annually thereafter.

¹ See

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf9a6d3ba3caa71fac85257c71007778ca/\\$FILE/Section%208%20Determination%20Final.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf9a6d3ba3caa71fac85257c71007778ca/$FILE/Section%208%20Determination%20Final.pdf)

² See

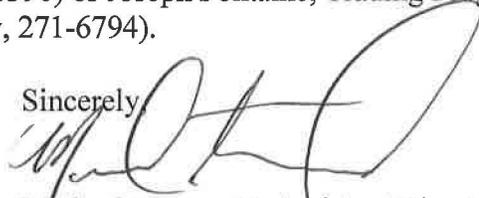
[http://www3.dps.ny.gov/pscweb/WebFileRoom.nsf/Web/46E9B8AED50ABFF285257CC400590536/\\$File/gov%204.24.14.pdf?OpenElement](http://www3.dps.ny.gov/pscweb/WebFileRoom.nsf/Web/46E9B8AED50ABFF285257CC400590536/$File/gov%204.24.14.pdf?OpenElement) and

http://www.energycentral.com/functional/news/news_detail.cfm?did=32284454&

May 8, 2014

For further information, please see the attached "Background" paper. Thank you for your consideration in this matter. If you have any questions, please contact me (michael.fitzgerald@des.nh.gov, 271-6390) or Joseph Fontaine, Trading Programs Manager (joseph.fontaine@des.nh.gov, 271-6794).

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Fitzgerald", written over a large, faint circular stamp or watermark.

Michael Fitzgerald, Assistant Director
Air Resources Division