



Innovative Biomass-to-Renewable
Energy Solutions

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NH-PUC 6DEC16PM4:06

December 6, 2016

Ms. Debra Howland
Executive Director
New Hampshire Public Utilities Commission
RE: DE 14-104 Electric Renewable Portfolio Standard

Regarding: DE 16-850: Electric Renewable Portfolio Standard, Modification of Renewable Portfolio Standard 2016 Class I Thermal and 2017 Class III Requirements

Dear Ms. Howland,

ReEnergy appreciates the opportunity to provide comment as the Commission considers whether it is appropriate to adjust Class III Renewable Portfolio Standard (RPS) requirements.

We understand that the Commission is authorized by RSA 362-F:4, VI to modify Class III requirements "such that the requirements are equal to an amount between 85 percent and 95 percent of the reasonably expected potential annual output of available eligible resources after taking into account demand from similar programs in other states."

ReEnergy believes that market conditions for REC in other New England states for 2017 is materially different than in past years, and therefore no adjustment is warranted.

Introduction

As a general matter, we believe that it is a best practice for RPS programs to offer predictability for market participants, including predictability in requirements. For both future buyers and future sellers of renewable energy certificates (RECs), it is important to have a trustworthy expectation for the size of the REC procurement obligation. Without this consistency, it is difficult for producers to make investment and operational decisions and it is difficult for load serving entities to accurately gauge potential customer costs. We understand that there are additional considerations for the Commission to balance, but reason that the default position should be to keep obligation at the statutory amounts unless there is clear evidence to make a change.

About ReEnergy Holdings LLC

ReEnergy owns and operates six biomass power facilities in Maine and New York. The total installed capacity of our energy portfolio is 245 megawatts. We are active participants in the Class I REC markets in New England, although not currently trading New Hampshire RECs.

ReEnergy also employs approximately 90 individuals in New Hampshire at two facilities that process construction and demolition material: ReEnergy Epping and ReEnergy Salem. These facilities accept and recycle nearly all solid materials from construction and demolition activities, processing approximately 300,000 tons of material each year.

Alternative Compliance Payment level now well above regional market price

NH III resources typically are dual-qualified for RECs, usually with Connecticut Class I. The argument last year for reducing the NH III obligation level for vintage 2016 concerned the expectation that CT I market prices would remain above the NH III Alternative Compliance Payment (ACP) price of \$45. Assuming that buyers would typically not pay much more than ACP for any REC, this would make CT I a more lucrative market for generators than NH III. The reduction of NH III obligation from 8.0% to 0.5% hinged, to our understanding, uniquely on this expectation of CT I prices greater than \$45 and the “after taking into account demand from similar programs in other states” section of the statute.

Market conditions for RECs in New England have changed dramatically since last year. As seen in figure 1, CT I market prices have steadily fallen for both the 2016 and 2017 vintages. In particular, note that prices have been below the NH III ACP since March. As of 12/1/16, mid-market value for CT I 2017 vintage is \$24.50. This has not been a temporary knee-jerk type of price movement. It is a methodological and steady price reduction in response to substantially higher supply from sources including out of region wind imports, solar installations, and others.

Market conditions no longer provide incentive to sell into CT I

Given the substantially lower prices for vintage 2017 CT I, we fully expect that generators who are eligible for NH III will be very active in marketing their RECs in New Hampshire for the 2017 vintage. Moreover, we believe that the full volume of NH III REC supply is available for sale to load serving entities in New Hampshire. As such, the Commission should determine that there is no demand from similar programs in other states to account for in this upcoming vintage year.

We will defer to other market experts regarding the volume of NH III RECs expected to be generated in 2017, but our understanding is that the biomass and landfill gas units combine to generally exceed the statutory 8.0% target.

Conclusion

Market conditions for 2017 create an opportunity for New Hampshire to procure their statutory target of Class III RECs. In keeping the NH III targets in place at the 8.0% level, the Commission will provide predictability to a marketplace that is expecting the target to remain in effect.

We thank you for this opportunity to provide some additional thoughts on the condition of the New Hampshire RPS. If you have any further questions, please don't hesitate to contact us.

Sincerely,

Nathan Hebel
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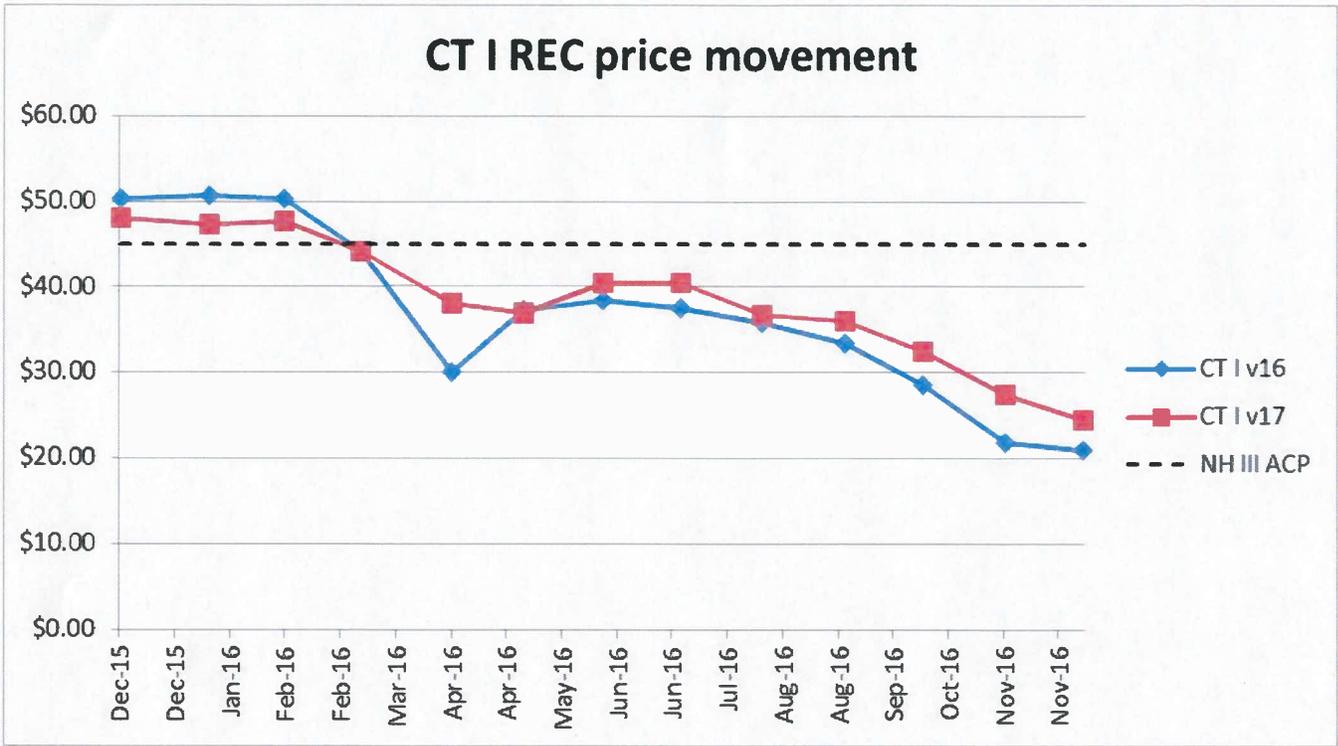


fig 1

*source: ReEnergy, third party broker assessments