January 23, 2013

Ms. Suzanne Amidon
Mr. Jack Ruderman
Ms. Elizabeth Nixon
NH Public Utilities Commission
21 S. Fruit St.
Concord NH 03301

RE: Comments on draft administrative rules changes to Puc 2500, Electric Renewable Portfolio Standard

Dear Ms. Amidon, Mr. Ruderman and Ms. Nixon:

Thank you for the opportunity to comment on proposed amendments to Puc 2500 drafted to implement changes to statute resulting from passage of SB218 last session. Founded in 1992, New England Wood Pellet is a manufacturer and distributor of wood pellet fuels with facilities in Jaffrey NH, Schuyler NY and Deposit NY. We take an active interest in renewable energy policies that impact the market we serve with our heating fuels.

We commend the PUC staff for the thorough and carefully considered amendments put forth in your discussion draft. We do not see any proposed language that is outside of or misinterprets the statutory changes enacted in SB218.

We wish to raise three issues for consideration by the PUC staff.

First, we believe strongly that projects (regardless of size or technology) producing useful thermal energy that begin operation after January 1, 2013 should only be eligible for renewable energy certificates if the project is serving a new renewable thermal load that did not exist prior to the "began operation" date. In other words, projects that replace projects that were serving a thermal load prior to the "began operation" date should not be eligible to receive certificates. An example might be a building with a biomass boiler that is being replaced with a new boiler after the "began operation" date, or a solar thermal array that is being rebuilt to a new location on the property with no change in the hot water demand. The thermal carve-out was intentionally placed in Class I because it was intended to incentivize new renewable project and market development, with proportional decreases in New Hampshire dependence on fossil fuels for heating. Without this clarification, it is possible that the entirety of the new thermal class I carve-out REC obligation will be satisfied without fulfilling any of the energy security and environmental purposes set forth in RSA 362-F:1. This is not what the legislature intended.

Below, we propose a revision to the definition of "began operation" [Puc 2502.03(c)] to clarify this important issue.

> Puc 2502.03(c): For a new renewable energy source that delivers useful thermal energy, and has never previously delivered useful thermal energy to the same or substantially the same thermal energy end user(s), the date the source began delivering useful thermal energy that can be metered and is delivered in New Hampshire.

This proposal is consistent with legislative intent. If the legislature had intended that existing renewable thermal installations that pre-date the "began operation" date merited incentive in the form of qualification for RECs, they would have included a thermal carve-out within Class III. No such change was considered in SB218.

If a rebuilt or replaced renewable thermal installation results in an increase in efficiency, or if capital investments are made in the system after the "began operation" date to meet a growing thermal load, then the incremental increase in efficiency or load should qualify for RECs. The PUC may wish to amend Puc 2505.05 (Certification of New Output) to clarify the application of these circumstances to renewable thermal projects, similar to the way in which the current rules provide for incremental increases in output or efficiency for renewable electric projects.

The second issue has to do with a biomass heating technologies that employ multi-fuel capabilities which allow the operator to switch from biomass to another fuel (e.g. oil, natural gas or propane). This feature provides the operator with maximum flexibility. In some cases it allows the operator to modify an existing boiler with only minor capital investments. Typically these systems are installed to meet large space or industrial process heat loads. There are many installed in Europe but few in the United States, but this may change soon.

The draft rule changes make no provision for multi-fuel systems, where the useful thermal energy output that must be metered under Puc 2506.04 may be coming from a mix of renewable and non-renewable fuels. There is no practical way to estimate or verify thermal output from just the renewable fraction with a meter. In this case, modeling based on the energy content of fuel input can serve as an accurate estimate of the proportion of thermal energy output that is derived from the renewable fuel.

Puc 2506.06 does allow for PUC consideration and approval of alternative monitoring methodology, which we commend you for. However, we would prefer explicit language under 2506.04 allowing for estimation based on energy content of fuels consumed, where percentage energy input attributed to renewable fuel is then applied to metered heat output per the requirements of 2506.06 to provide an estimation of useful thermal energy from the renewable fuel (similar to how electrical output from co-firing facilities is handled in statute [362-F:4, I(k)]. Rather than attempt language in this letter, we would like to work with the PUC staff to develop precise language to make this change.

Finally, as you know the Massachusetts Department of Energy Resources, under a legislative directive, released a study evaluating the addition of renewable thermal energy to the Massachusetts Alternative Portfolio Standard. That study can be accessed here. This study makes a number of very innovative recommendations around how a thermal component might be structured within the MA APS. We would like to bring your attention to one innovative concept described in that study, in the hope that the PUC staff will consider incorporating this concept by administrative rule into Puc 2500.

For the REC incentive provided to thermal technologies under SB218 to have the desired market impact, it would be valuable to structure the RECs into an upfront incentive.

Long-term REC purchase agreements that provide financing security for electric renewable projects are typically negotiated through power purchase agreements with retail utilities and competitive suppliers. No such mechanism exists with heat. Thus a developer of a thermal project has no assurance of either a market or a competitive price for RECs well into the future of a project. Thus availability of thermal RECs is of little value in financing the upfront capital cost of a project, the primary hurdle to market growth for biomass, solar and geothermal projects.

The MA study offers a creative approach to address this challenge. It proposes that a one-time upfront "strip" of RECs be awarded to a thermal project based on modeled estimated thermal output for set time period (e.g. 5 or 10 years). No more RECs are awarded after the upfront strip is exhausted, based on actual thermal energy output. Compared to the typical performance-based option, this approach can have a significant impact on market growth at a lower overall cost to ratepayers.

There is no explicit authority to consider this approach in RSA 362-F, but nor is there explicit language prohibiting this approach. We believe the MA DOER has conceived a very innovative approach that may achieve the goals of the statute at lower ratepayer cost. We hope that this idea will be given serious consideration during the stakeholder meetings and through the RSA 541-A administrative rulemaking process.

Sincerely,

Charles R. Niebling
General Manager