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Karen Cramton
Director, Sustainable Energy Division
New Hampshire Public Utilities Commission
Concord, NH 03301-7319
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Re: 2018 Renewable Portfolio Standard Review (RSA 362-F)

Dear Director Cramton,

Given the Public Utilities Commission's (PUC) request for public comment related to the 2018 review of the State's Renewable Portfolio Standard (RPS) codified under RSA 362-F, I am writing to express certain reforms.

Energy is an issue that affects all New Hampshire residents and businesses. In our policymaking, we should be cognizant to put forward solutions that balance and achieve the wide array of goals the state has set forward.

Energy is an issue that has economic, environmental, and social impacts that all deserve careful consideration.

This array of implications was part of the impetus behind the introduction of the RPS in 2007.

The program's objective is multifaceted: to encourage fuel diversity, to stabilize future energy costs, to keep energy investment dollars in the state, and to employ low-emissions technology. These objectives offer ratepayers in New Hampshire certain benefits—it is important that these benefits are retained in any revision to the current program.

As part of the statutory requirement for this 2018 review, as described under RSA362-F:5 V, the PUC shall review "the possible introduction of any new classes such as energy efficiency or the consolidation of existing ones." This point is one that I would like to focus on, writing in support of consolidating the existing separate classes into a single class for all types of renewable energy. The current system stifles competition between technologies by assigning them to isolated classes. While there is competition within each class to reach the

required renewable energy rates, it creates a system where, for example, wind energy is not competing against small hydroelectric or new solar, thereby isolating technologies from competitive market forces that would otherwise exist. Additionally, the current system excludes certain forms of generation, which runs counter to the idea illustrated in the State 10 Year Energy Strategy that policy should remain technology neutral.

Under a unified class, consumers would benefit as these technologies could be employed at higher rates. The RPS as currently structured creates a scenario where some classes have a bountiful supply of RECs whereas others have seen large Alternative Compliance Payments (ACPs) year over year. This results in high compliance costs while still failing to achieve the overall targets. The current class system sends a low and incorrect price signal to Class I, even though Class III is struggling to produce adequate amounts of RECs. According to PUC data compiled in a report by the Lawrence Berkeley National Laboratory, in 2015, NH achieved 85% of its RPS compliance through RECs, meaning that 15% of compliance came in the form of ACPs. While 85% is a large majority, at the class level this data is far different.

Table 1: RPS REC Compliance by Year and Class for New Hampshire. Source: U.S. Renewables Portfolio Standards Annual Status Report, Lawrence Berkeley National Laboratory.¹

	2008	2009	2010	2011	2012	2013	2014	2015
Total RPS REC Compliance	63%	93%	89%	41%	56%	44%	82%	85%
Class I (Non-Thermal)	-	100%	100%	82%	83%	43%	100%	100%
Class I (Thermal)	-	-	-	-	-	-	25%	28%
Class II (Solar Carve-Out)	-	-	91%	93%	80%	76%	59%	73%
Class III (Existing Biomass/Methane)	60%	99%	91%	25%	3%	2%	2%	93%
Class IV (Existing Small Hydro)	87%	58%	68%	62%	49%	59%	74%	48%

As Table 1 shows, there was a wide disparity between how each class preformed in 2015. While Class I achieved 100% of compliance through RECs in 2015, Class I Thermal, Class II Solar, Class III and Class IV all fell short. Failing to meet the required target through RECs has a material impact on ratepayers as ACPs serve as the price cap for RECs. This means that 52% of Class IV compliance came from ACPs, at cost of \$2,327,892 to New Hampshire ratepayers in 2015. In the 2016 Renewable Energy Fund Annual Report, the PUC described the year

over year cost increase as “due in part to the Class IV obligation requirement increasing from 1.4% in 2014 to 1.5% in 2015 but also because New Hampshire certified facilities can sell RECs in other New England States.²” If New Hampshire changed to a single class of RECs, the goals of the program would remain achievable, while compliance costs would be reduced as RECs compete against all other qualified sources of energy in the market. This would put downward pressure on REC prices from all certified generators, and reduce the amount of ACPs required in a given year.

Given the state’s lackluster performance meeting the targets for each class with renewable energy generated in New Hampshire thus far, this proposal deserves consideration. The current RPS requirement has created \$66.6 million in Alternative Compliance Payments since 2008.³ Given the enactment of HB1550, these compliance charges will now appear on ratepayer’s bills annually. This notification is an important step to better inform the public on both the costs and benefits of the current law.

Fully mindful that one of the goals of the RPS includes fuel diversity, our policies should not disincentivize development of a technology that the market is naturally pursuing. If a technology is able to surpass the target for its determined class, that should be viewed as a success to continue championing. In a revised system, the value of a particular class of REC should not be artificially depressed because of arbitrary categories. Furthermore, it is not the role of a government to try to determine the precise mix of technologies, but rather ensure its goal of a diverse electricity portfolio is met. When states venture too far down the path of central planning, it disrupts the competitive market forces that ought to dictate energy supply in a restructured market. As a result of uncoordinated and variable state policies, “the regional REC market is not a true regional market [because of a]

¹ United States. Department of Energy. Lawrence Berkeley National Laboratory. *U.S. Renewables Portfolio Standards 2017 Annual Status Report*. Berkeley, CA: Lawrence Berkeley National Laboratory, July 2017. <http://eta-publications.lbl.gov/sites/default/files/2017-annual-rps-summary-report.pdf>

² New Hampshire. Public Utilities Commission. Sustainable Energy Division. *Renewable Energy Fund Annual Report 2016*. Concord, NH, October 1, 2016. <http://www.puc.nh.gov/Sustainable%20Energy/Renewable%20Energy%20Fund/2016%20REF%20Report%20to%20Legislature%20FINAL%202016-09-30.pdf>

³ New Hampshire. Public Utilities Commission. Sustainable Energy Division. *New Hampshire Renewable Energy Fund Annual Report 2017*. Concord, NH, October 2017. https://www.iso-ne.com/static-assets/documents/2016/11/2016_12_01_clg_meeting_ron_gerwatowski_panelist_presentation.pdf

lack of uniformity in eligibility and price caps.⁴” This makes the REC market an inefficient market, therefore increasing compliance costs for energy suppliers, and ultimately, for ratepayers. Given the recent enactment of HB1555, the PUC and the Office of the Consumer Advocate (OCA) now have the statutory responsibility to:

...advocate against any regional or federal rules or policies or any proposed regional or federal rules or policies that were created or proposed based the policies, rules, or laws of other states if:

- I. Such other state policies, rules, or laws are not the policies, rules, or laws of New Hampshire; and*
- II. Implementation of the regional or federal rule or policy would result in higher rates to New Hampshire ratepayers*

The PUC should focus its recommendations on specific policy adjustments that will alleviate this burden on the ratepayer and focus on decreasing the cost of compliance while still achieving the legislative goals set forth in the statute.

The second important reform I want to focus on is related to energy efficiency—specifically the adage that “the most affordable electron is the one that is never used.” The state should similarly recognize the impact of energy efficiency measures. It is worth underscoring that while New Hampshire has made investments into the NHSaves program, the full impacts of these investments are not credited toward the existing RPS goals as currently enacted. According to the 2018-2020 New Hampshire Statewide Energy Efficiency Plan, since its inception NHSaves has led to a lifetime reduction of 13 billion kWhs, saving customers \$2.2 billion over the life of the measures⁵. These efficiency improvements have saved the equivalent of 10.7 million tons of greenhouse gas emissions since the program’s inception.⁶ These benefits are not negligible. Along with the technologies currently included in the RPS, adding energy efficiency would better enable utilities avoid costly ACPs and reach set targets using energy efficiency credits. With the NHSaves program set to more than double its annual MWh savings from 175,168 to 334,273 for the period from 2018-2020, New Hampshire should fully recognize these benefits in the RPS.

As the PUC conducts this statutory review, it is my hope that these recommendations prove to be both germane and helpful. While it is the legislature that has the ultimate authority to alter the existing law, this PUC led review

⁴ Geratowski, Ron. *How Effective is the New England REC Market as a Means to Reduce GHG Emissions*. Presentation, 2016 Consumer Liaison Group Meeting for ISO New England, 2016. https://www.iso-ne.com/static-assets/documents/2016/11/2016_12_01_clg_meeting_ron_geratowski_panelist_presentation.pdf

⁵ New Hampshire. Public Utilities Commission. *2018-2020 New Hampshire Energy Efficiency Plan*. Docket No. DE 17-136 (pending). Concord, NH, <https://www.puc.nh.gov/Regulatory/Docketbk/2017/17-136.html>

⁶ *Ibid.*

is an important advisory component to best inform their decision making. In the search for the most equitable and sound energy policy for New Hampshire, it is important that we focus on the ultimate outcome that we are striving for. In developing the policy map to achieve these outcomes, we must be consistent in assessing the benefits and costs in the framework that we establish. Installing arbitrary barriers to these outcomes does not serve the people of New Hampshire in an effective way, nor does it enable the state to achieve its desired targets with the least amount of friction possible. We should be cognizant of the costs and benefits of the barriers we have established. Through open debate, we should ultimately determine whether these barriers are useful or inhibitory.

Sincerely,

Jared Chicoine
Director, Office of Strategic Initiatives