



The State of New Hampshire
Department of Environmental Services



Thomas S. Burack, Commissioner

January 27, 2015

The Honorable Robert Introne, Chair
House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, New Hampshire 03301

Re: House Bill 143 and House Bill 234 relative to electric renewable portfolio standard

Dear Chair Introne and Members of the Committee:

Thank you for the opportunity to comment on House Bills 143 and 234, relative to electric renewable portfolio standard (RPS). House Bill 143 would amend New Hampshire's RPS statute (RSA 362-F *Electric Renewable Portfolio Standard*) hydroelectric energy to Class I, thus allowing new (defined as beginning operation after January 1, 2006) large hydroelectric to qualify for renewable energy certificates (REC). House Bill 234 would amend the statute by placing all renewable energy sources in one class, thus allowing any renewable energy to satisfy the RPS requirements. HB 234 would also change the distribution of funds in the renewable energy fund (REF) that come from payment of alternative compliance payments (ACP) by requiring that one-half of the funds be used to support thermal and electric renewable energy and the remaining funds be used to "reduce rates for all customers". The Department of Environmental Services (DES) opposes both of these bills.

New Hampshire is one of twenty-nine states to have an RPS. Adopted in 2007 (HB 873, *An Act establishing minimum renewable standards for energy portfolios*), the RPS was the result of a thorough and deliberate two year stakeholder effort involving the state's business interests, environmental organizations, utilities, renewable electricity suppliers and developers, and other energy interests. The existing four REC classes represent a delicate balance that was arrived at through this deliberative process and are designed to encourage the development of new renewable resources while preserving vulnerable existing sources. Supporters recognized that renewable energy generation technologies provide fuel diversity to the state and New England. This displacement of fossil fuels by local renewable fuels and resources helps stabilize energy costs by reducing exposure to volatile gas and oil prices. Increased use of renewables also reduces emissions of air pollutants, thereby improving air quality and protecting public health. The resulting widespread support for the RPS was reflected in broad bipartisan support for adoption in the General Court (253 to 37 in the House of Representatives and a unanimous 24-0 vote in the Senate).

The changes proposed in HB 143 and HB 234 would promote instability and lack of certainty in the RPS program for the regulated community. It should be noted that the RPS statute was the subject of legislation and significantly revised in both the 2012 (SB 218) and 2013 (HB 542) sessions. Numerous studies and reports have concluded that such instability

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disrupts developing markets and decreases the economic benefits of enhancing the use of in-state renewable energy resources.

- In the fall of 2013, the HB 542 RPS Study Committee concluded that “...after extensive debate and changes to New Hampshire’ RPS law in the 2012 and 2013 legislative session, it is appropriate to see how those changes impact the production of renewable energy in New Hampshire and New England. The committee thus recommends no further legislation at this time.”
- The September 2014 *New Hampshire 10-Year State Energy Strategy* (Senate Bill 191, 2013) notes that “frequent changes to the RPS in recent years have disrupted the market’s development” and “to realize the full economic and security benefits of in-state energy, the State must recommit to a strong and stable RPS.”
- The November 2012 *Final Report on the New Hampshire Independent Energy Study* from the Energy Efficiency and Sustainable Energy Board (pursuant to SB 323, 2010) noted the need for a “clear, coordinated, and consistent policy and program landscape”.
- A 2011 Public Utilities Commission (PUC) review of the RPS program¹, including several meetings to seek market information and stakeholder input, concluded that the state should: “Maintain the existing class obligations in favor of policy consistency and predictability for the renewable energy industry, particularly given the inability of NH to significantly affect the regional REC market and the potential for increased rate impacts if the class obligations were to increase.”

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. 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.

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 (Fitchburg) and one in Vermont (Ryegate) have been approved for New Hampshire Class III RECs. Currently four New Hampshire biomass plants² qualify for New Hampshire Class III RECs. Class III was originally included to maintain operation of existing biomass sources. By eliminating Class III RECs, HB 234 could result in shutdown of one or more of these plants that rely on REC sales for economic viability. Two New Hampshire biomass plants³ also qualify for Class I RECs. By allowing large new hydropower facilities to qualify for Class I RECs HB 143 undermines support for these in-state resources.

¹ PUC Report dated November 1, 2011 <http://www.puc.nh.gov/Shas/PreviouslySustainable%20Energy/RPS/RPS%20Review%202011.pdf>

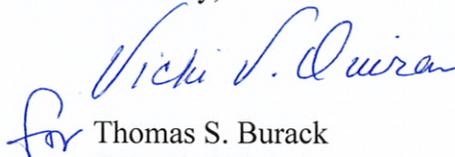
² Pinetree Tamworth and Bethlehem plants, Springfield, and Indeck

³ Schiller Station #5 and Springfield

HB 234 also proposes a change to the definition of “useful thermal energy” to mean “future” sources of renewable thermal energy. Currently two health care facilities in the state, Littleton Regional Health Care and Androscoggin Valley Hospital, qualify for Class I thermal RECs. Mascoma Valley school administrative unit will be eligible for Class I thermal RECs in the coming quarter. The proposed change jeopardizes the investments made by these public facilities and could discourage similar investment by others.

Thank you for your consideration in this matter. If you have any questions or require further information, please contact either Craig Wright, Director of the Air Resources Division (craig.wright@des.nh.gov, 271-1088) or Michael Fitzgerald, Assistant Director (michael.fitzgerald@des.nh.gov, 271-6390).

Sincerely,


for Thomas S. Burack
Commissioner

cc: Martin Honigberg, Chair, Public Utilities Commission
Sponsors of HB 143 and HB 234

