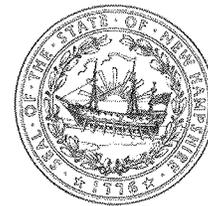


The State of New Hampshire
Department of Environmental Services

Thomas S. Burack, Commissioner



*Celebrating 25 years of protecting
New Hampshire's environment.*

February 9, 2012

The Honorable James Garrity, Chairman
House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, NH 03301

Re: HB 1428 relative to renewable portfolio standards

Dear Chairman Garrity and Members of the Committee:

Thank you for the opportunity to comment on behalf of the Department of Environmental Services (DES) regarding House Bill 1428, which revises the laws relative to sustainable and renewable electricity generation, also commonly referred to as the renewable portfolio standards (RPS). In the interest of long-term regulatory and market certainty, DES believes that any contemplation of revisions to the state's RPS program would best be considered in the larger context of the statutorily required 2011 comprehensive review of New Hampshire's RPS program. The revisions proposed by this bill are not supported by the conclusions and recommendations included in the report¹ by the Public Utilities Commission summarizing that review. Therefore, DES does not support the bill.

New Hampshire is one of twenty-nine states (plus Puerto Rico and the District of Columbia)² to have a renewable portfolio standard. Eight other states have set goals for renewable electricity generation. New Hampshire's RPS, RSA Chapter 362-F, was enacted in 2007 (House Bill 873, *An Act establishing minimum renewable standards for energy portfolios*). The RPS legislation 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. As the discussions proceeded and in the interest of the greater good, nearly every interest involved put aside specific issues and came to support the legislation without seeking to add their particular interest provisions. This widespread support was reflected in bipartisan support in the General Court, including votes of 253 to 37 in the House of Representatives and a unanimous 24-0 vote in the Senate.

The RPS is a flexible, market-driven policy that can ensure that the environmental and other public benefits of wind, solar, biomass, geothermal energy and other renewable resources continue to be recognized as electricity markets become more competitive. The policy ensures

¹ PUC Report dated November 1, 2011

<http://www.puc.nh.gov/Sustainable%20Energy/RPS/RPS%20Review%202011.pdf>

² Summary map of RPS policies from the Database of State Incentives for Renewables & Efficiency
<http://www.dsireusa.org/summarymaps/index.cfm?ee=1&RE=1>

that there will be at least a minimum amount of renewable energy included in the portfolio of electricity resources serving the state and, by increasing the required amount over time, the RPS can put the electricity industry on a path toward increasing sustainability. Because it is a market standard, the RPS relies almost entirely on the private market for its implementation. Market implementation will result in competition, efficiency, and innovation that will deliver renewable energy at lower costs.

New Hampshire's RPS requires each supplier of electricity to obtain renewable energy certificates for a certain percentage of the power (measured in megawatt hours, MWhrs) that they ultimately supply to customers. Each renewable energy certificate (REC) represents one MWh (or 1,000 kilowatt hours) of power generation from a renewable energy source such as biomass or wind. RECs for renewable electric energy meeting New Hampshire RPS requirements are recorded, on behalf of the State, by the administrator of the Independent System Operator (ISO) for New England and tracked in the ISO Generation Information System (GIS), which is used to document the renewable attributes of electrical generation in New England. The ISO GIS currently fulfills similar administrative functions for renewable energy generated for RPS adopted in all of the other New England states.

Prior to enactment of the RPS in 2007, the University of New Hampshire's Whittemore School of Business and Economics conducted an analysis (the UNH study) of the impact of the then-proposed RPS on New Hampshire ratepayers and the economy. The UNH study concluded that although there would be modest costs incurred in the short term, overall there would be a net positive economic and environmental benefit. The New Hampshire RPS would also provide a hedge against the price volatility of natural gas and other sources of energy price volatility, help diversify the State's power generation, reduce dependency on imported sources of fuel, increase the potential for new renewable energy development within the State, and help facilitate the efficient use of existing renewable energy resources. The UNH study forecasted the creation of 1,100 new full-time jobs and the generation of \$1 million in state revenue annually in 2025. The UNH model demonstrated that New Hampshire ratepayers would likely see less than a 2% per year (ranging from 0.5% in 2008 to 1.2% in 2025) increase in rates, or \$0.33 to \$1.24 per month per household over the same time period. This projection did not account for any potential reduction in regional energy prices as a result of reduced demand (and modulation of price volatility) due to the development of local renewable energy resources.

Implementing a renewable portfolio standard for New Hampshire is good energy policy, as it makes sense both economically and environmentally. Renewable resources reduce emissions of greenhouse gases contributing to climate change as well as other forms of air pollution such as particulate matter and sulfur dioxide. An RPS contributes to long term energy price stability, expands energy sources, creates new energy technology jobs, and improves economic development in New Hampshire while reducing reliance on imported energy and avoiding associated price spikes. An RPS also creates incentives for renewable energy infrastructure investment, thus helping to promote investment in development of new renewable energy facilities in New Hampshire. The enactment of the RPS in 2007 began the process of creating a long term energy "insurance policy" for New Hampshire energy ratepayers.

Specifically, DES has the following comments on individual components of this bill.

Currently, the existing statute, RSA 362-F:2, VIII, defines “*eligible biomass technologies*” as follows:

“VIII. “*Eligible biomass technologies*” means generating technologies that use biomass fuels as their primary fuel, provided that the generation unit:

- (a) Has a quarterly average nitrogen oxide (NOx) emission rate of less than or equal to 0.075 pounds/million British thermal units (lbs/Mmbtu), and an average particulate emission rate of less than or equal to 0.02 lbs/Mmbtu as measured and verified under RSA 362-F:12; and
- (b) Uses any fuel other than the primary fuel only for start-up, maintenance, or other required internal needs.”

A proposed revision (new section RSA 362-F:2 IV.(f)) removes the explicit numerical emission rate requirements and instead vaguely refers to “*department emission standards*”. DES believes that the existing statutory language provides greater clarity.

Another proposed revision (new section RSA 362-F:2 IV.(i)) would require hydroelectric renewable sources to be located “*in-state*”. As stated in the report³ by the Public Utilities Commission summarizing the 2011 program review, “*Although it may be tempting to simply mandate that the only way to comply with the NH RPS is with RECs from generators located in NH, such a requirement would almost certainly violate the Interstate Commerce Clause of the U.S. Constitution.*”

A further proposed revision (new section RSA 362-F:2 V.(a)) would define “*in-state nuclear generation*” as a “*sustainable source*”. While nuclear generation is “*non-emitting*” (with regard to air emissions), the RPS is intended to provide an incentive to fund further development of sources that may not operate without such an incentive. Existing nuclear generation comprises a major percentage of NH’s current portfolio, and it is already competitive in the wholesale market. It does need such an incentive to operate.

A proposed revision (an amendment to RSA 362-F:3) would convert the RPS to a short-term target or goal, rather than a requirement. DES believes this would create uncertainty and result in less development of renewable energy than would be achieved by the current statute. DES supports retention of the current statute or similar statutory language on this issue.

Yet another proposed revision (new section RSA 162-H:7 V(c)) would add a request for inclusion in applications submitted to the Site Evaluation Committee of a description of the impact of the proposed facility on the landscape and on the economic, sociological, and psychological costs of any impairments to the landscape. While applicants could provide such descriptions, further statutory guidance to the SEC would be necessary to inform the SEC as to how this information should be considered, if at all, when making its decisions.

³ PUC Report dated November 1, 2011

<http://www.puc.nh.gov/Sustainable%20Energy/RPS/RPS%20Review%202011.pdf>

In summary, DES continues to support further development of renewable energy resources in New Hampshire and the region. Thank you for the opportunity to provide testimony. Should you have further questions or need additional information, please feel free to contact Robert R. Scott, Director, Air Resources Division (271-1088, robert.scott@des.nh.gov).

Sincerely,



Thomas S. Burack
Commissioner

cc: HB 1428 sponsors