



The State of New Hampshire
Department of Environmental Services



Clark B. Freise, Assistant Commissioner

January 18, 2017

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

Re: House Bill 199 relative to adding all hydroelectric energy to Class IV electric renewable energy classes

Dear Chair Barry and Members of the Committee:

Thank you for the opportunity to comment on House Bill 199, relative to adding all hydroelectric energy to Class IV under the electric renewable portfolio standard (RPS) (RSA 362-F *Electric Renewable Portfolio Standard*). The New Hampshire Department of Environmental Services (NHDES) opposes this bill.

New Hampshire is one of twenty-nine states to implement 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 renewable energy certificate (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. Large hydroelectric sources were not deemed to be "vulnerable". 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). Allowing other hydroelectric sources to satisfy Class IV renewable energy goals is unwarranted, and would contradict the policy of incentivizing increases in renewable energy, as reflected in the 2014 *"New Hampshire 10-Year State Energy Strategy"*¹.

¹ <http://www.nh.gov/oep/energy/programs/documents/energy-strategy.pdf>

For example, the following project, as stated in the *2016 New Hampshire Renewable Energy Fund Annual Report*², may not have been funded had large hydro been allowed to satisfy Class IV requirements, significantly reducing Alternative Compliance Payments (ACPs):

“Several projects that were awarded grants during previous fiscal years became operational in fiscal year 2016. In June, Steels Pond Hydro completed its rebuild and re-connection to the grid of a 900kW small hydrogeneration facility on the North Branch of the Contoocook River in Antrim. Grant funding was used to install two 300 kW hydro-electric turbine generators and triple the installed capacity to bring the project to its full potential. The electricity generated is sold to the University of New Hampshire (UNH) at a rate below retail electric rates and Steels Pond Hydro, in turn, leases the site from the State of New Hampshire with lease payments supporting the general fund. As lease payments are a percentage of gross, increasing the kWh generated/sold increases the lease payment to the State. Both of these provide direct savings to New Hampshire taxpayers. This project is expected to generate 2,066 Class IV renewable energy certificates (RECs) per year.”

The changes proposed in HB 199 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 disrupts developing markets and decreases the economic benefits of enhancing the use of in-state renewable energy resources, including;

- the HB 542 RPS Study Committee (fall, 2013) concluded that *“...after extensive debate and changes to New Hampshire’s 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”* , and
- a 2011 Public Utilities Commission (PUC) review of the RPS program³, 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*

² PUC Report dated October 1, 2016

<http://puc.nh.gov/Sustainable%20Energy/Renewable%20Energy%20Fund/2016%20REF%20Report%20to%20Legislature%20FINAL%202016-09-30.pdf>

³ PUC Report dated November 1, 2011 <http://www.puc.nh.gov/Shas/PreviouslySustainable%20Energy/RPS/RPS%20Review%202011.pdf>

significantly affect the regional REC market and the potential for increased rate impacts if the class obligations were to increase.”

The market for NH 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. NHDES 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 and as opposed to allowing power from other hydroelectric sources to meet the goals. Future revisions should be based on sound market information and analysis, and carefully consider any long term implications.

Thank you again for the opportunity to comment on HB 199. 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,



Clark B. Freise
Assistant Commissioner

cc: Sponsors of HB: Representatives Vose, Vadney, and Ober