



The State of New Hampshire  
**Department of Environmental Services**



Clark B. Freise, Assistant Commissioner

January 24, 2017

The Honorable Kevin Avard, Chair  
Energy and Natural Resources Committee  
State House, Room 103  
Concord, New Hampshire 03301

**Re: Senate Bill 51, establishing a committee to review a timeline for the duration of subsidies for energy projects provided by the renewable portfolio standard**

Dear Chair Avard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 51. This bill establishes a committee to review a timeline for the duration of subsidies for energy projects provided by the renewable portfolio standard. The New Hampshire Department of Environmental Services (NHDES) has concerns about this bill in that the proposed committee may involve a duplicative process to that already required by statute, as further explained below.

Incentivizing additional renewable energy is a worthy goal, as described in RSA 362-F:1 under the electric renewable portfolio standard (RPS) (RSA 362-F *Electric Renewable Portfolio Standard*) as follows:

*“Renewable energy generation technologies can provide fuel diversity to the state and New England generation supply through use of local renewable fuels and resources that serve to displace and thereby lower regional dependence on fossil fuels. This has the potential to lower and stabilize future energy costs by reducing exposure to rising and volatile fossil fuel prices. The use of renewable energy technologies and fuels can also help to keep energy and investment dollars in the state to benefit our own economy. In addition, employing low emission forms of such technologies can reduce the amount of greenhouse gases, nitrogen oxides, and particulate matter emissions transported into New Hampshire and also generated in the state, thereby improving air quality and public health, and mitigating against the risks of climate change. It is therefore in the public interest to stimulate investment in low emission renewable energy generation technologies in New England and, in particular, New Hampshire, whether at new or existing facilities.”*

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 resulting widespread support for the RPS was reflected in broad bipartisan

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support for adoption in the General Court (253 to 37 in the House of Representatives and a unanimous 24-0 vote in the Senate).

First and foremost, it is important to understand, given the purpose of the RPS, that a renewable energy certificates (REC) reflects the additional environmental, social, and economic value that renewable energy provides, but is not currently recognized in the wholesale electricity marketplace. Therefore, a REC is not a subsidy, but a recognition of additional societal value of renewable energy.

One feature of the RPS is that if there are insufficient amounts of RECs available at prices below the Alternative Compliance Payment (ACP), then suppliers may make payments into the Renewable Energy Fund (REF). These funds are then disbursed to projects, in order to increase the amount of future RECs available, such that progress can be made toward achieving the overall renewable energy percentages required by the RPS. For example, the following project was described in the *2016 New Hampshire Renewable Energy Fund Annual Report*<sup>1</sup>:

*“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 hydro generation 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 RPS statute (RSA 362-F:5) already includes a requirement for a program review in 2018 as follows:

*“Commencing in January 2011, 2018, and 2025 the commission shall conduct a review of the class requirements in RSA 362-F:3 and other aspects of the electric renewable portfolio standard program established by this chapter. Thereafter, the commission shall make a report of its findings to the general court by November 1, 2011, 2018, and 2025, respectively, including any recommendations for changes to the class requirements or other aspects of the electric renewable portfolio standard program. The commission shall review, in light of the purposes of this chapter and with due consideration of the importance of stable long-term policies: ...*

*VI. The timeframe and manner in which new renewable class I and II sources might transition to and be treated as existing renewable sources and if appropriate, how corresponding portfolio standards of new and existing sources might be adjusted;”*

<sup>1</sup> 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>

DES believes that this existing review process should be conducted as scheduled. Establishing a legislative study committee would be redundant and unnecessary at this time.

Thank you again for the opportunity to comment on SB 51. Should you have further questions or need additional information, please feel free to contact either Craig Wright, Director of the Air Resources Division (271-1108, [craig.wright@des.nh.gov](mailto:craig.wright@des.nh.gov)) or Michael Fitzgerald, Assistant Director of the Air Resources Division (271-6390, [michael.fitzgerald@des.nh.gov](mailto:michael.fitzgerald@des.nh.gov)).

Sincerely,



Clark B. Freise  
Assistant Commissioner

cc: Sponsors SB 51: Sens. Avard, Birdsell, Giuda; Reps. Lewicke, Carr, Barry, O'Day, Seidel