



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

April 17, 2018

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

Re: HB 114 relative to minimum electric renewable portfolio standards

Dear Chair Avard and Members of the Committee:

Thank you for the opportunity to comment on HB 114, relative to minimum electric renewable portfolio standards (RPS). HB 114 would revise New Hampshire's RPS statute (RSA 362-F *Electric Renewable Portfolio Standard*) by eliminating increases in the percentage of total megawatt-hours (MWh) of electricity from Class I sources to be supplied by each provider to its customers after 2015. 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. 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). Reducing the percentage of total megawatt-hours (MWh) of electricity from Class I sources 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.

The New Hampshire Public Utilities Commission (PUC) already has existing authority to revise Class I requirements per RSA 362-F:4, V, stating *"For good cause, and after notice and hearing,*

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

the commission may accelerate or delay by up to one year, any given year's incremental increase in class I or II renewable portfolio standards requirement under RSA 362-F:3." The Commission has appropriately exercised this authority previously upon hearing from industry and stakeholders.

For these entities that have already made investments based on the current law, the changes proposed in HB 114 would create instability and lack of certainty in the RPS program. 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) that 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* (SB 191, 2013) that 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) that noted the need for a *"clear, coordinated, and consistent policy and program landscape"*; and
- a 2011 PUC review of the RPS program², including several meetings to seek market information and stakeholder input, that 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 2018 review is now underway, and it may be appropriate to wait for the conclusions from that report before significantly changing the current RPS.
- One recommendation from the final report of the Committee to Study Subsidies for Energy Projects Provided by the Renewable Portfolio Standard (SB 51, 2017) was:

² PUC Report dated November 1, 2011 <http://www.puc.nh.gov/Shas/previouslysustainable%20Energy/RPS/RPS%20Review%202011.pdf>

- One recommendation from the final report of the Committee to Study Subsidies for Energy Projects Provided by the Renewable Portfolio Standard (SB 51, 2017) was:
 - *"The Legislature should undertake a complete review of the 2018 PUC RPS report and any of its proposed RPS changes for potential legislative initiatives ..."*

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. 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 114. 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,



Robert R. Scott
Commissioner

cc: Sponsors of HB 114: Representatives Barry, Vose, Vadney