



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



**Robert R. Scott, Commissioner**

February 6, 2019

The Honorable Robert Backus  
Chair, Science, Technology, and Energy Committee  
Legislative Office Building, Room 304  
Concord, NH 03301

**RE: HB 209, AN ACT relative to the class rate for payments into the Renewable Energy Fund (REF) for biomass/methane**

Dear Chair Backus and Members of the Committee:

Thank you for the opportunity to testify on HB 209. This bill requires the Public Utilities Commission (PUC) to adjust the rates of payment into the Renewable Energy Fund (REF) for Class III-biomass/methane according to the Consumer Price Index (CPI) instead of a fixed rate. Specifically, this bill would eliminate the fixed rate of payment of \$55 for the years 2017, 2018, and 2019, and the bill would revert to a lower rate based on adjustment of the statutory rate of \$31.50 for earlier years by the CPI for each year beginning with 2013. The New Hampshire Department of Environmental Services (NHDES) takes no position on this bill as drafted, but offers the following information for the committee's consideration. NHDES would like to make the Committee aware of the findings in the PUC's REF annual report and the PUC's Renewable Portfolio Standard (RPS) 2018 Review.

Under RSA 362-F:4, VI, the PUC already may modify the Class III requirements. The PUC's REF Annual Report states:

*"During previous years, New Hampshire facilities producing Class III RECs were able to sell the RECs they produced at a higher price in the Class I REC markets in Connecticut and Massachusetts than in the Class III REC market in New Hampshire. For compliance years 2013, 2014, 2015, and 2016, the Commission modified the Class III obligations reducing the requirement from 8.0% to 0.5% of an electricity provider's retail sales. This action prevented a substantial shortfall of Class III RECs and significantly higher ACPs, the cost of which is ultimately borne by New Hampshire ratepayers. Due to changed market conditions resulting from policy changes in other states, the Commission did not reduce the Class III requirement for compliance year 2017. With a Class III obligation equal to 8% in CY17, ACP revenue was \$1,358,225 compared to \$24,480 for CY16 (obligation equal to 0.5%)."*

Table 3 of the report shows that one (TransCanada Power Marketing, Ltd.) supplier that chose to pay Alternative Compliance Payments (ACPs) rather than obtain Renewable Energy Certificates (RECs) accounted for more than 99% of the Class III ACPs.

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29 Hazen Drive • PO Box 95 • Concord, NH 03302-0095  
(603) 271-3503 • Fax: 271-2867 TDD Access: Relay NH 1-800-735-2964

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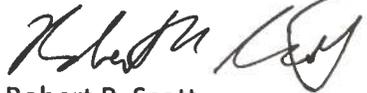
In general, NHDES supports market certainty and supports changes to the requirements that result from a thorough deliberative process by the PUC. The PUC's RPS 2018 Review report contained the following recommendation:

*"Maintain the existing Class III obligation for policy consistency and predictability. The Commission will continue to monitor the eligibility of available sources, other state's RPS policies, and anticipated supply of Class III RECs. If necessary, the Commission will open a docket to determine if it is necessary to modify the Class III requirement for the calendar year, such that the requirement equals 85% to 95% of the reasonably expected potential generation from certified facilities after taking into account demand from RPS programs in other states."*

One of the goals of the RPS is to foster renewable energy development. As suppliers need lead time to plan in advance for purchases, proposed changes to the RPS should not take immediate (nor retrospective) effect.

Thank you again for the opportunity to comment on HB 209. Should you have further questions or need additional information, please feel free to contact either Michael Fitzgerald, Assistant Director ([michael.fitzgerald@des.nh.gov](mailto:michael.fitzgerald@des.nh.gov), 271-6390) or Joseph Fontaine, Technical Programs Manager ([joseph.fontaine@des.nh.gov](mailto:joseph.fontaine@des.nh.gov), 271-6794) of the Air Resources Division.

Sincerely,



Robert R. Scott  
Commissioner

cc: Sponsors of HB 209: Representative Harrington